United States Department of Agriculture

# Farm Service Agency

FEDERAL PUBLICATION

# Farm Service Agency Programs

The USDA Farm Service Agency (FSA) administers farm commodity, crop insurance, farm credit, and conservation programs for farmers through a network of State and county offices. FSA programs are primarily directed at agricultural producers or, in the case of loans, at those with farming experience.

The majority of FSA employees work with producing farmers who maintain a crop history by making an annual report of planted acres to FSA county offices. Typically, these offices record planting reports on about 360 million acres, 7 out of every 8 acres of cropland in the Nation.

The relationship with farmers goes back to the 1930's and the first agricultural acts establishing farm programs. Under the unique method of local administration that Congress set up at that time, farmers who are eligible to participate in Federal farm programs elect a three- to five-person county committee. This committee reviews county office operations and makes decisions on how the programs apply locally, giving farmers a say in how the Federal programs are applied in their county. This grassroots method of administration continues today.

Agricultural commodity programs are designed to improve the economic stability of agriculture and to help farmers adjust production to meet demand. The goal is to avoid severe price swings for farmers and consumers. Assistance is offered through price support loans, purchases, payments, and related acreage reductions and diversions.

## Commodity Programs

FSA administers commodity programs for wheat, corn, grain sorghum, barley, oats, rye, oilseeds, rice, tobacco, peanuts, milk, cotton, sugar, and honey.

FSA makes Commodity Credit Corporation (CCC) loans to eligible farmers, using the stored crop as collateral. Loans to producers are usually "nonrecourse." That is, when market prices are higher than the loan rate, a farmer may simply pay off the loan and market the commodity. However, if market prices are below the loan levels, a producer can forfeit or deliver the commodity to the Government to discharge the loan obligation in full. Thus, commodity loans promote orderly marketing by providing farmers with income while they hold their crops for later sale.

Farmers also get price protection with the option of forfeiting the commodity to CCC as a sufficient-value repayment.

The price support loan is seasonal and can be repaid with interest any time through maturity.

For wheat and feed grains, the Farmer-Owned Grain Reserve offers producers the opportunity to extend the crop loan for longer periods. Storage payments are made for grain placed in the Reserve.

For most commodities, loans are made directly to producers on the unprocessed commodity through FSA county offices. Loans are also made through cooperative marketing associations or through processors. For example, price support loans for eligible tobacco are available through the

applicable tobacco growers' associations. For tobacco, marketings in excess of a quota are subject to penalty and are ineligible for loan.

For wheat, feed grains, rice, and cotton, an income support payment is provided by deficiency payments. The program participant receives a direct payment, based on the difference between a "target price" set by law and the higher of either the basic loan rate or the national average market price.

In most cases, to qualify for commodity program benefits, a farmer must participate in the acreage reduction, allotment, or quota programs in effect for the particular crop. For example, deficiency payments are made to those who comply with the acreage reduction requirement for the crop year. By reducing their production acreage by an established percentage, participants contribute to keeping commodity production in line with anticipated needs. The land they are withholding from production must be protected from erosion. In recent years, farmers have been given the flexibility to shift program crop plantings, as well as planting options for oilseeds and industrial and experimental crops used in new and innovative products. Acreage reduction requirements have been imposed more sparingly in the 1990s, as new trade agreements and increased foreign demand have spurred farm exports.

## Crop Insurance

Federal crop insurance covers production losses due to unavoidable causes of loss such as drought, excessive

moisture, hail, wind, hurricane, tornado, and lightning. It does not cover losses due to neglect, poor farming practices, theft, or low prices. Currently, 62 crops are insurable.

The Federal Crop Insurance Reform Act of 1994 overhauled the crop insurance program to provide catastrophic yield protection to all producers of insurable crops for a nominal processing fee.

Starting with 1995 crops, producers of all insurable crops who sign up for the annual commodity programs, obtain FSA farm ownership, operating, or emergency loans formerly administered by the Farmers Home Administration, or enter into new Conservation Reserve Program contracts, must buy at least the catastrophic level of crop insurance coverage on all insurable crops that account for 10 percent or more of their farms' crop production value. Catastrophic (CAT) coverage will compensate farmers for crop losses greater than 50

percent of the farmer's approved yield at 60 percent of the expected market price. CAT can be obtained at local FSA offices or from private crop insurance agents.

Higher levels of insurance protection are available through crop insurance agents. To encourage participation, the additional coverage was made more attractive to farmers by increasing the premium subsidy. Buying additional coverage is the only way farmers can benefit from attractive policy features that permit smaller optional units, replanting payments, and coverage for certain quality losses.

Farmers whose crops are currently not insurable may be eligible for coverage that is similar to that provided to insured producers by CAT coverage. Benefits under the Noninsured Crop Disaster Assistance Program (NAP) are provided free of charge and are available only through FSA offices. To be eligible for NAP, a crop in the disaster area has to suffer yield losses of at least 35 percent. Once the area loss threshold is crossed, farmers must qualify on an individual basis, the same as CAT. Producers must report acres and production to be eligible for protection.

## Farm Loans

FSA has direct and guaranteed farm ownership and operating loan programs to help farmers who are temporarily unable to obtain private, commercial credit. In many cases, these are beginning farmers who have insufficient net worth to qualify for commercial credit. In other instances, these are farmers who have suffered financial setbacks from natural disasters, or who have limited resources with which to establish and maintain profitable farming operations.

Farmers who qualify obtain their credit needs through the use of loan guarantees, where a local agricultural lender makes and services the loan, and FSA guarantees the loan up to a maximum of 90 percent. FSA also has the responsibility of approving all loan guarantees and providing monitoring and oversight of lenders' activities.

For those unable to qualify for a loan guarantee from a commercial lender, FSA also makes direct loans. These loans are made and serviced by an FSA official, who has the responsibility of providing credit counseling and supervision to the agency's direct borrowers. The FSA official accomplishes this by assessing the farming operation and evaluating all aspects of the operation.

For example, the FSA official evaluates the adequacy of the real estate and facilities, machinery and equipment, financial and production management, and the farmer's goals for the operation. Any weaknesses in the operation are identified and prioritized, and the FSA official works with each farmer to develop a plan of supervision that will overcome the weaknesses and ultimately result in the farmer's graduation to commercial credit.

Unlike FSA's commodity loans, these loans can only be approved for those who have repayment ability, and the loans must be fully secured and are not nonrecourse. Local FSA offices have further information about these loans.

## Commodity Purchases and Donations

The Government-owned Commodity Credit Corporation (CCC) provides financing for farm programs, and for the purchase, storage, and disposal of commodities owned by the Federal Government. FSA employees are the administrative agents for CCC. CCC also is responsible for the inventory management of CCC's bulk and processed products.

Managing the farm products forfeited to CCC requires cooperation with the warehousing and transportation industries and private marketing channels. With over 10,000 commercial warehouses across the country approved for CCC storage contracts, FSA commodity managers work closely with the commercial trade.

Under the dairy price support program, CCC buys surplus butter, cheese, and nonfat dry milk from processors at announced prices. These purchases help to maintain the market prices of milk to producers at the support level set by the Congress.

FSA employees work with USDA's Food and Consumer Service to purchase and deliver processed foods for the national school lunch and domestic food assistance programs.

CCC inventories are not simply held in storage, but must move into private trade channels. FSA has a field office in Kansas City, Missouri, with staff to direct commodity operations. Plugged into telecommunicating trade networks, FSA merchandisers regularly sell and swap CCC inventories.

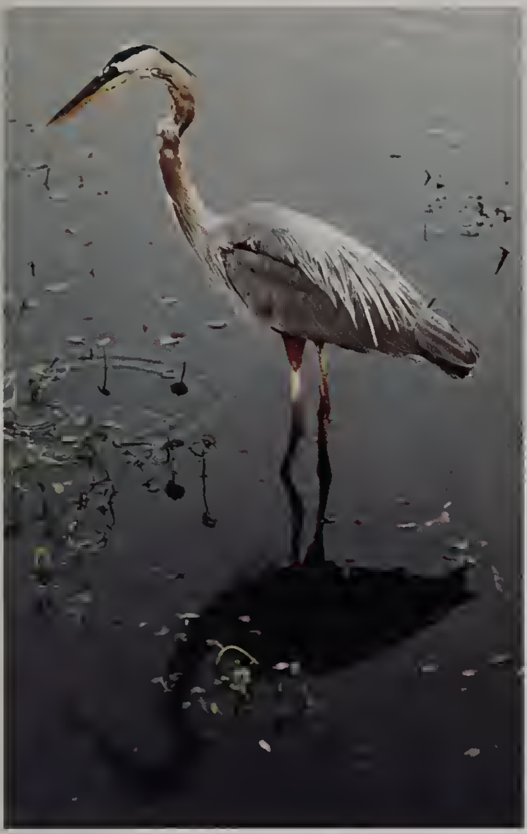
Beyond the marketplace, CCC commodities fill the need for hunger relief for needy families in the United States and for overseas assistance. FSA coordinates the processing and overseas delivery of over 5 billion pounds of commodities each year. Commodities are donated for "Food for Peace" and other programs administered by voluntary organizations. These American farm products and foods help in hunger relief around the world.

## Disaster and Emergency Assistance

In the aftermath of a natural disaster, FSA can provide a variety of emergency assistance programs to farmers in a disaster area. For example, the agency can furnish CCC-owned grains to eligible livestock producers at reduced prices, and cost-share livestock feed purchases. To help rehabilitate the farmland damaged by a natural disaster, FSA can assist farmers with cost-sharing to carry out emergency conservation practices under the Emergency Conservation Program.

In the event of a national security emergency, FSA is responsible for preparedness plans and programs to assure food production and distribution as well as the continued availability of farm machinery and feed, seed, and fertilizer.

# Conservation Programs



FSA conservation programs help preserve and improve the wealth and promise of America's farmlands.

## Conservation Reserve Program (CRP)

USDA's most ambitious conservation effort, CRP targets the most fragile farmland by encouraging farmers to stop growing crops on cropland designated by soil conservationists as "highly erodible" and to plant a permanent vegetative cover instead. In return, the farmer receives an annual rental payment for the term of the multi-year contract. Cost-share payments are also available to help establish the permanent planting of grass, legumes, trees, windbreaks, or wildlife flora.

## Agricultural Conservation Program (ACP)

ACP is the primary means for FSA to help farmers and ranchers carry out conservation and environmental practices nationwide. The program is designed to help alleviate soil, water, and related resource problems through cost-sharing approved conservation measures. ACP assistance is available to install a variety of soil-saving practices, including terraces, grass cover, sod waterways, and other measures to control erosion. ACP practices also help farmers reduce sediment, chemicals, and livestock waste that contaminate streams and lakes.

All FSA conservation programs are conducted in cooperation with other Federal, State, and local agencies and conservation organizations.

# Information Contacts

County FSA offices are the primary points of contact for participation in programs and are listed in telephone directories under "U.S. Department of Agriculture."

State FSA offices supervise county FSA offices and are usually located in the State capital, or near the State land-grant university.

For information on commodity sales and purchases, contact:

USDA
FSA Kansas City Commodity Office
P.O. Box 419205
Kansas City, MO 64141
Telephone: (816) 926-6364

Aerial photographs of U.S. farmland, used by FSA as a basic tool to determine crop acreage, are also purchased extensively by other organizations and the public. Order forms and an index are available from county FSA offices. For more information on services, including high-altitude photography, contact:

USDA
FSA Aerial Photography Field Office
P.O. Box 30010
Salt Lake City, UT 84130-0010
Telephone: (801) 975-3503

For general information about the agency and its programs, contact:

USDA
FSA Public Affairs Staff
P.O. Box 2415
Washington, DC 20013
Telephone: (202) 720-5237



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